

Message Text

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ACTION NEA-10

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TAGS: EINV, EG

SUBJECT: GOODYEAR INVESTMENT PROJECT

REF: STATE 170162

1. GOODYEAR TO FIGHT THE GOOD FIGHT. PURCELL AND FRANK, AT MEETING WITH AMBASSADOR JULY 13, EXPRESSED OPINION THAT PROJECT IS STILL ALIVE AND REPORTED THAT GOODYEAR HAS SUBMITTED REVISED INVESTMENT PROPOSAL AS EVIDENCE OF CONTINUED INTEREST. THEY HAD NOT BEEN ABLE TO SEE SHAFEI AS YET, DUE TO LATTER'S UNEXPECTED SUMMONS TO ALEXANDRIA BY PRIME MINISTER, BUT CONVERSATIONS WERE HELD WITH ROUSHDI OF INVESTMENT AUTHORITY AND MAREI OF MININD. GOODYEAR EXECUTIVES EXPECT TO SEE MINISTER SHAHIN JULY, 14 AND STILL HOPE TO MEET WITH SHAFEI.

2. REVISED INVESTMENT PROPOSAL CALLS FOR INSTALLATION OF SOMEWHAT SMALLER PLANT THAN PREVIOUSLY PLANNED WITH EXPORT COMPONENT OF PRODUCTION RAISED TO 35 PERCENT AND FOREIGN EXCHANGE REQUIREMENTS REDUCED TO AN AVERAGE OF \$5.5 MILLION OVER FIRST FIVE YEARS. FIXED ASSETS OF \$28.3 MILLION AND WORKING CAPITAL OF \$9 MILLION ARE PLANNED. DAILY PRODUCTION WOULD BE 1275 LARGE TRUCK TIRES (38 TONS). EXPORT WOULD BE LARGELY TO SAUDI MARKET. INVESTMENT PROPOSAL SUBMITTED TO ROUSHDI IS COSTED ON BASIS GOODYEAR'S ESTIMATE OF FORTHCOMING COMMERCIAL EXCHANGE RATE, NOT OFFICIAL RATE NOW PRESCRIBED BY LAW 43. PURCELL VOLUNTEERED THAT GOE PROBABLY WOULD NOT ACCEPT

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SUCH EXCHANGE STRUCTURE AND THAT GOODYEAR IS WILLING, GIVEN

FACT THAT COMMERCIAL, INCENTIVE OR SIMILAR RATE IS NOT VITAL TO PROJECT, TO REVISE THAT ASPECT OF PROPOSAL IF OTHER FACETS RECEIVE FAVORABLE CONSIDERATION.

3. KEY TO FUTURE OF PROJECT NOW AS PURCELL SEES IT IS CANCELLATION BY GOE OF FRENCH CONNECTION (MICHELIN LETTER OF INTENT) IN MANNER THAT SAVES FACE OF PRESIDENT SADAT AND OTHER LEADING POLITICAL FIGURES, THUS PERMITTING FRESH CONSIDERATION OF REVISED GOODYEAR PROPOSAL. PURCELL SAID IT IS OPENLY ACKNOWLEDGED IN GOE CIRCLES THAT ARRANGEMENT WITH MICHELIN WAS MADE FOR POLITICAL PURPOSES AND GOODYEAR PROJECT HAS COME TO BE FAVORED BY SOME MINECON OFFICIALS, AT LEAST, BECAUSE IT INCLUDES BETTER PROVISIONS ON TECHNICAL ASSISTANCE AND BECAUSE GOODYEAR SHOWS MORE FLEXIBILITY IN NEGOTIATION. ROUSHDI REPORTEDLY HAS WRITTEN MICHELIN REQUIRING THAT COMPANY TO MATCH GOODYEAR'S TECHNOLOGICAL PROPOSAL. (APPARENTLY MICHELIN OFFERS SOMEWHAT OUTMODED TECHNICAL ASSISTANCE WITH RESPECT TO ONE TRUCK TIRE ONLY.) IF MICHELIN'S RESPONSE IS NEGATIVE, AS SEEMS TO BE EXPECTED, GOE WILL BE OFF THE HOOK AND DOOR WILL BE OPEN FOR GOODYEAR ONCE AGAIN. PURCELL INDICATED HE DETECTS MORE PRAGMATIC ATTITUDE TOWARD PROJECT AT PRESENT IN MININD, AS WELL AS MINECON.

4. ONE NEW STUMBLING BLOCK POSSIBLY HAS BEEN RAISED IN GOODYEAR'S PATH, HOWEVER. ROUSHDI INFORMED PURCELL ORALLY THAT GOODYEAR CORP. (US) AND ITS UK SUBSIDIARY ARE UNDER INVESTIGATION BY ALEXANDRIA BOYCOTT OFFICE, WHICH CAME AS NEWS TO PURCELL. HE SPECULATED WHETHER SUCH A MOVE, IF INFORMATION IS ACCURATE, MIGHT REPRESENT INDIRECT ATTEMPT TO STYMIE PROJECT BY OPPONENTS WITH GOE. PURCELL SAID HE WILL INQUIRE QUIETLY THROUGH MAREI WHETHER THERE IS ANY SUBSTANCE TO REPORT.

5. PERSISTENCE AND PATIENCE OF GOODYEAR, AND ESPECIALLY PURCELL, IN PURSUING INVESTMENT PROJECT IN EGYPT ARE TRULY REMARKABLE. MAIN REASON THEY CONTINUE IN FACE OF SO MANY OBSTACLES, ACCORDING TO COMMENTS BY PURCELL, IS COMPANY'S BELIEF IT NEEDS MANUFACTURING PRESENCE IN MIDDLE EAST AND DETERMINATION, AFTER EXTENSIVE ANALYSES, THAT EGYPT IS ONLY LOCATION THAT MAKES ECONOMIC SENSE OVER LONG TERM. CHARLES FRANK FROM GOODYEAR'S FAR EASTERN OPERATIONS IS BEING ASSIGNED LIMITED OFFICIAL USE

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SEMI-PERMANENTLY AT CAIRO TO FOLLOW PROPOSAL AND PUSH IT ALONG AS SEEMS FEASIBLE. PURCELL STIPULATED NO RPT NO FIRM DEADLINE FOR GOE RESPONSE TO REVISED PROPOSAL, BUT RATHER INDICATED REPLY WOULD BE REQUESTED IN SOME "REASONABLE" TIME FRAME AFTER EXPECTED COLLAPSE OF MICHELIN" PROJECT. EILTS

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